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## SENATE BILL No. 323

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 20-19-2-20; IC 21-10.

**Synopsis:** Allocation of school resources. Requires the state board of education annually to: (1) analyze state statutes, rules, policies, and relationships to determine those that restrict school corporations and public schools from allocating resources to, and focusing efforts on, student instruction and learning; and (2) report the results of the analysis to the state superintendent of public instruction, the general assembly, and the governor. Allows school corporations to undertake certain actions to save money in nonacademic areas and reallocate the saved money to student instruction and learning. Requires the department of education and the state board of education to develop a plan to upgrade the financial management, analysis, and reporting system for school corporations and schools.

**Effective:** July 1, 2006.

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January 10, 2006, read first time and referred to Committee on Education and Career Development.

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Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

## SENATE BILL No. 323

A BILL FOR AN ACT to amend the Indiana Code concerning education.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 20-19-2-20 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2006]: **Sec. 20. (a) The state board shall analyze annually state,  
4 local, and other:**

- 5 (1) statutes;
- 6 (2) rules;
- 7 (3) policies; and
- 8 (4) relationships;

9 that affect school corporations and public schools to identify the  
10 statutes, rules, policies, and relationships that restrict or inhibit the  
11 ability of school corporations and public schools to maximize the  
12 allocation of resources to, and focus efforts on, student instruction  
13 and learning, or to develop and implement innovative approaches  
14 to improving student achievement.

15 (b) In conducting the analysis required under subsection (a), the  
16 state board may retain the assistance the state board considers  
17 necessary, including the assistance of the following:



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(1) The office of management and budget.

(2) A government efficiency commission that addresses schools.

(3) Consultants.

(c) Following the annual identification of statutes, rules, policies, and relationships under subsection (a), the state board may take one (1) or more of the following actions:

(1) Repeal the rules, policies, or relationships that are within the authority of the state board. A repeal under this subdivision may be undertaken:

(A) at any time; and

(B) by emergency rule.

(2) Recommend to the general assembly the repeal of statutes. The recommendations under this subdivision must be made:

(A) annually not later than September 1; and

(B) to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

(3) Report to the governor, the general assembly, and the state superintendent concerning the statutes, rules, policies, and relationships that are not within the authority of the state board or general assembly. A report under this subdivision:

(A) may be made at any time; and

(B) when made to the general assembly, must be made to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

SECTION 2. IC 21-10 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

# **ARTICLE 10. ALLOCATION OF EXPENDITURES TO STUDENT INSTRUCTION AND LEARNING**

## **Chapter 1. Purposes and General Provisions**

### **Sec. 1. This article has the following purposes:**

(1) To maximize the allocation and use of taxpayer provided resources by school corporations and schools for student instruction and learning.

(2) To confirm the authority of school corporations to use a variety of methods to reduce the costs of acquisition of products and services.

(3) To instruct the state board to oversee the consideration of statewide means to acquire products and services.

(4) To provide a means for school corporations to access technical assistance and other support in the consideration of

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means to increase the allocation of resources to student instruction and learning.

(5) To recognize school corporations that achieve effective allocation of resources to student instruction and learning.

Sec. 2. The definitions in IC 20 apply to this article.

## **Chapter 2. Authority to Allocate Expenditures to Student Instruction and Learning**

Sec. 1. A school corporation individually, in collaboration with other school corporations, and through the educational services centers may undertake action to reduce noninstructional expenditures and allocate the resulting savings to student instruction and learning. Actions taken under this section include the following:

(1) Pooling of resources with other school corporations or units of government for liability insurance, property and casualty insurance, worker's compensation insurance, employee health insurance, vision insurance, dental insurance, or other insurance, whether by pooling assets for coverage or for the purchase of coverage, or by the creation of or participation in insurance trusts.

(2) Consolidating purchases with other school corporations or units of government of the following:

(A) School buses and other vehicles and vehicle fleets.

(B) Fuel, maintenance, or other services for vehicles or vehicle fleets.

(C) Energy needs. Each school corporation shall, and more than one (1) school corporation acting jointly may, be considered a single purchaser of energy.

(D) Food services.

(E) Facilities maintenance services.

(F) Transportation management services.

(G) Textbooks, technology, and other school materials and supplies.

(H) Any other purchases a school corporation may require. Purchases may be made by contiguous school corporations, as part of regional consolidated purchasing arrangements, or from consolidated sources under multistate cooperative bidding arrangements.

Sec. 2. A school corporation may use shared services arrangements with other school corporations and units of government, including:

(1) the use of shared administrative services overseeing

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1 transportation, food service, facilities maintenance, or other  
2 operations;

3 (2) the use of shared administrative services to manage  
4 finance, payroll, human resources, information technology,  
5 purchasing, or other administrative services; and

6 (3) the use of shared resources to provide instruction,  
7 supplemental services, extracurricular activities, or other  
8 student services.

9 School corporations are not required to merge schools, consolidate,  
10 or otherwise relinquish control of curriculum, instruction, or  
11 student activities to use shared services arrangements.

12 Sec. 3. A school corporation may collaborate with contiguous  
13 school corporations to explore the use of cooperatives among  
14 school corporations, clusters of commonly managed school  
15 corporations, or the consolidation of school corporations to provide  
16 effective and efficient management of the school corporations or  
17 functions of the school corporations.

18 Sec. 4. (a) Educational service centers established under  
19 IC 20-20-1 shall support and facilitate actions by school  
20 corporations under this article, including by the use of an  
21 educational service center's existing cooperative agreements.

22 (b) An educational service center may use the division of finance  
23 of the department and the office of management and budget to  
24 provide technical assistance for school corporation actions under  
25 this article.

26 (c) Not later than August 31 of each year, the educational  
27 service centers shall report to the state board the results of the  
28 efforts of the educational service centers under this article during  
29 the preceding school year.

### 30 Chapter 3. State Board Action

31 Sec. 1. The state board shall explore methods, including  
32 statewide purchases, to reduce the expense to school corporations  
33 for the purchase of the following:

34 (1) Textbooks.

35 (2) Technology.

36 (3) School buses and other vehicles.

37 (4) Other areas of expenses as determined by the state board.

38 Sec. 2. The state board, assisted by the educational service  
39 centers, the division of finance of the department, and the office of  
40 management and budget, shall survey periodically the school  
41 corporations to determine actions taken by the school corporations  
42 to allocate resources to student instruction and learning. The state

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board shall issue an annual report of actions taken to:

- (1) each school corporation;
- (2) the public; and
- (3) the general assembly.

The report to the general assembly must be submitted to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

**Sec. 3.** Not later than November 1 of each year, the state board, assisted by the office of management and budget, shall submit a report to the state superintendent, the governor, and the general assembly concerning the following:

- (1) Consolidated purchasing arrangements used by multiple school corporations, through educational services, and in the state as a whole.
- (2) Shared services arrangements used by multiple school corporations, through educational service centers, and in the state as a whole.
- (3) The efforts of school corporations to explore cooperatives, clusters, or consolidations.

The report to the general assembly must be submitted to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

**Sec. 4. (a)** The state board, assisted by the office of management and budget and the division of finance of the department, shall analyze each school corporation's expenses for the 2004-2005 and 2005-2006 school years to determine how much each school corporation spent, from whatever source, directly or indirectly, on the following categories of expenditures:

- (1) Student instructional activities expenditures, specifying all sums spent directly on students for:
  - (A) academic achievement by the students; and
  - (B) extracurricular experiences by the students.
- (2) Student instructional support expenditures, including all sums spent away from the students but directly in support of academic achievement by students.
- (3) Operational expenditures, including all sums spent on or away from the students for school or district operations.
- (4) Nonoperational expenditures, including all sums spent on capital, debt service, retirement or severance payments, or other noninstructional and nonoperational purposes.

The state board shall determine the types of expenses that are included in each category set forth in subdivisions (1) through (4).

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The sum of all expenditures under subdivisions (1) through (4) by a school corporation must equal the total amount of expenditures by the school corporation for the year being analyzed.

(b) The state board's analysis under subsection (a) may include relevant trend line data for school years before the 2004-2005 school year.

(c) Not later than November 1, 2006, the state board shall report the results of the analysis under subsection (a) to the state superintendent, the governor, and the general assembly. The report to the general assembly must be submitted to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

**Sec. 5. (a) Beginning with the 2006-2007 school year, and using the 2005-2006 school year as a baseline:**

(1) the office of management and budget shall analyze and report to the state board, the governor, and the general assembly concerning the progress or lack of progress of each school corporation, all school corporations in each educational service center's area, and in the state as a whole in improving the ratio of student instructional expenditure to all other expenditures for the previous school year;

(2) the state board shall recognize each school corporation and educational service center that has an improved ratio of student instructional expenditures to all other expenditures during the previous school year;

(3) the office of management and budget shall consult with and provide technical assistance to each school corporation that did not have an improved ratio of student instructional expenditures to all other expenditures during the previous school year; and

(4) each school corporation shall report to the public and to the members of the general assembly whose districts include the school corporation:

(A) the percentage of resources spent by the school corporation during the previous school year on each category of expenditures set forth in section 4 of this chapter;

(B) the trend line for each category of expenditures set forth in section 4 of this chapter for the school corporation during the previous school year; and

(C) whether the school corporation did or did not make progress in improving the ratio of student instructional

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1 expenditures to all other expenditures during the previous  
2 school year.

3 (b) The reports to the general assembly under subdivision (a)(1)  
4 and to individual members of the general assembly under  
5 subdivision (a)(4) must be submitted to the executive director of  
6 the legislative services agency in an electronic format under  
7 IC 5-14-6.

8 Sec. 6. Beginning with the 2007-2008 school year, the state  
9 board shall:

10 (1) establish goals for each category of expenditures set forth  
11 in section 4 of this chapter that will place:

12 (A) the school corporations in Indiana; and

13 (B) Indiana;

14 among the school corporations and states that are most  
15 effective at the allocation of taxpayer resources directly to  
16 student instruction and learning; and

17 (2) recognize and reward the school corporations that achieve  
18 the goals described in subdivision (1).

19 SECTION 3. [EFFECTIVE JULY 1, 2006] (a) The definitions in  
20 IC 20 apply to this SECTION.

21 (b) Not later than August 31, 2006:

22 (1) the department shall develop; and

23 (2) the state board shall review and may modify;

24 a plan to upgrade the financial management, analysis, and  
25 reporting system for school corporations and schools.

26 (c) The plan developed under subsection (b) must:

27 (1) provide the use of generally accepted accounting principles  
28 and a unified income and expense statement and balance  
29 sheet;

30 (2) provide school corporations and schools the ability to  
31 track expenditures individually and according to the  
32 expenditure category under IC 21-10-3-4, as added by this act,  
33 the program under which the expenses was incurred, and the  
34 school building where the expense was incurred;

35 (3) provide real time or other timely access to expenditures,  
36 and across functions, schools, and school corporations; and

37 (4) enable periodic and annual analysis and reporting to the  
38 leadership of a school, the superintendent and governing body  
39 of a school corporation, the general public, the department,  
40 the state board, the governor, and the general assembly.

41 (d) In developing the plan under subsection (b), the department,  
42 following approval by and under the direction of the state board,

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1 shall:

2 (1) use the assistance of the state board of accounts, the  
3 division of finance of the department, the division of  
4 technology of the department, the office of management and  
5 budget, and external consultants and advisers the state board  
6 determines are necessary;

7 (2) provide the opportunity for input from governing bodies,  
8 superintendents, and other interested parties;

9 (3) consider existing financial management, analysis, and  
10 reporting systems and technology in use in school  
11 corporations and in other states;

12 (4) take into account the need for training personnel in school  
13 corporations in the use of the system; and

14 (5) identify any amendments to the Indiana Code that are  
15 necessary to implement specific provisions of the plan.

16 (e) Not later than October 1, 2006, the department and the state  
17 board shall submit the plan developed under subsection (b) to the  
18 governor and the general assembly. The report to the general  
19 assembly must be submitted to the executive director of the  
20 legislative services agency in an electronic format under IC 5-14-6.

21 (f) If directed to do so by a member of the general assembly, the  
22 legislative services agency shall prepare a bill to amend the Indiana  
23 Code as necessary to implement specific provisions of the plan  
24 developed under subsection (b) for introduction in the 2007  
25 legislative session.

26 (g) This SECTION expires December 31, 2008.

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